Western Economic Diversification Canada

2009–2010
Estimates

Part III – Report on Plans and Priorities

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Minister's Message

Protecting Western Canada's Future

As Minister responsible for Western Economic Diversification, I am pleased to present the department's *Report on Plans and Priorities for 2009–2010.*

Since 1987, Western Economic Diversification Canada (WD) has worked on behalf of western Canadians to ensure the long-term development and diversification of a dynamic regional economy. Western Canada's rich and diverse natural heritage, coupled with a growing innovation and entrepreneurial culture, contributes to the region's economic stability and prosperity.

As Canada navigates today's global economic uncertainty, WD will continue to work to help address the challenges faced by western communities and businesses. Now more than ever, WD's role supporting economic diversification and investing in innovation and economic development will help to effectively bridge the gap between economic downturn and recovery.

In the coming year, WD will continue to strengthen Western Canada's economy by the economy investing in projects, programs and partnerships that support entrepreneurship, strengthen and contribute toward a sound economic future for western Canadians.

The Honourable Jim Prentice, P.C., Q.C., M.P.

Minister of State's Message

New ideas, new business, new jobs

Western Canada's abundance of natural resources, entrepreneurial talent, and innovative leaders make the West a truly dynamic economic driver for Canada. Western Economic Diversification Canada (WD) continues to build a sound western economy by growing new ideas, supporting new business, and creating new jobs.

Innovation drives economic growth – it is about the *new ideas* that bring economic benefits from research. WD will concentrate its investments in research and development while focusing on bringing new products, services, and technologies to market. WD investments in the research, technologies, and people that create value from ideas position the West as a leader in innovation. Through innovation, we strengthen the economy for the long-term.

WD has taken many steps to support our entrepreneurs and this support fuels *new business*. Entrepreneurs have access to 100 points of service across the West that provide business advice and services to help them succeed by improving skills, increasing access to capital, and expanding participation in key export markets.

WD also works closely with western communities to diversify their economies. By helping communities take advantage of economic opportunities and adjust to changing economic circumstances, we are maintaining and creating *new jobs*. Combined with our delivery of community infrastructure, on behalf of Infrastructure Canada through the *Building Canada* plan, we are strengthening the West for the long-term.

It is important that our programs and policies remain relevant and effective for the West. In order to achieve these goals, WD regularly consults with western Canadians to better understand regional needs and represents the West in national decision making.

As we move forward, we will continue to help build on regional strengths to diversify the western economy by investing in western communities, entrepreneurs and innovators. At WD, we know that a strong West will mean a stronger Canada.

The Honourable Lynne Yelich, P.C., M.P.

Section I – Department Overview

1.1 Summary Information

Raison d'être & Responsibilities

Western Economic Diversification Canada was established in 1987 to lessen the West's (Manitoba, Saskatchewan, Alberta and British Columbia) strong economic dependence on its natural resources. Under the *Western Economic Diversification Act*, 1988, the department is mandated to:

> "promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy, program and project development and implementation."

WD's Deputy Minister (DM) is based in its Headquarters office in Edmonton, Alberta. Regional offices are located in each of the western provinces – Vancouver, Edmonton, Saskatoon, and Winnipeg, with a liaison office in Ottawa and regional satellite offices in Calgary and Victoria.

Vision

To be leaders in creating a more diversified western Canadian economy that has strong, competitive and innovative businesses and communities

WD's programs to encourage entrepreneurship, innovation and community economic development are supported by the Department's leadership and coordination role in furthering western interests and responding to western challenges. The Department works strategically through partnerships – with all orders of government, academic and research institutes, industry associations, and not-for-profit organizations – to implement initiatives that leverage funds and expertise for the benefit of the West and westerners.

Through its core resources, WD:

- Implements multi-year contribution programming such as the Western Economic Partnership Agreements (WEPAs) with western stakeholders. These agreements between the Government of Canada and the four western provinces address economic challenges by investing in shared priorities that include –
  - supporting the creation and growth of research and development, with a focus on getting new products, technologies and services out to market;
  - supporting trade and investment;
  - enhancing business productivity and competitiveness; and
  - increasing value-added production in traditional industries.
- Invests in pan-western and other projects that are focused on delivering results that contribute to WD's Strategic Outcomes; and

- Supports the Western Canada Business Service Network which provides more than 100 points of service in rural and urban communities across the West where entrepreneurs can get assistance in starting and growing businesses.

In support of national initiatives on behalf of the federal government, WD also:

- Delivers initiatives to mitigate the impact of the Mountain Pine Beetle infestation in the province of BC; and
- Works with provinces and municipalities to deliver a variety of infrastructure programming in the West, in partnership with Transport, Infrastructure and Communities Portfolio departments.

Strategic Outcomes

In order to effectively pursue its mandate, WD aims to achieve the following strategic outcomes:

1. **The western Canadian economy is competitive, expanded and diversified** -Entrepreneurship and Innovation
2. **Communities in Western Canada are economically viable** -Community Economic Development
3. **Policies and programs that strengthen the western Canadian economy** – (Policy, Advocacy and Coordination)

During this reporting period, WD will focus on the following operational priorities in order to achieve progress towards its Strategic Outcomes and better results for Canadians:

- Technology Commercialization,
- Trade and Investment,
- Business Productivity and Competitiveness, and
- Rural Diversification.

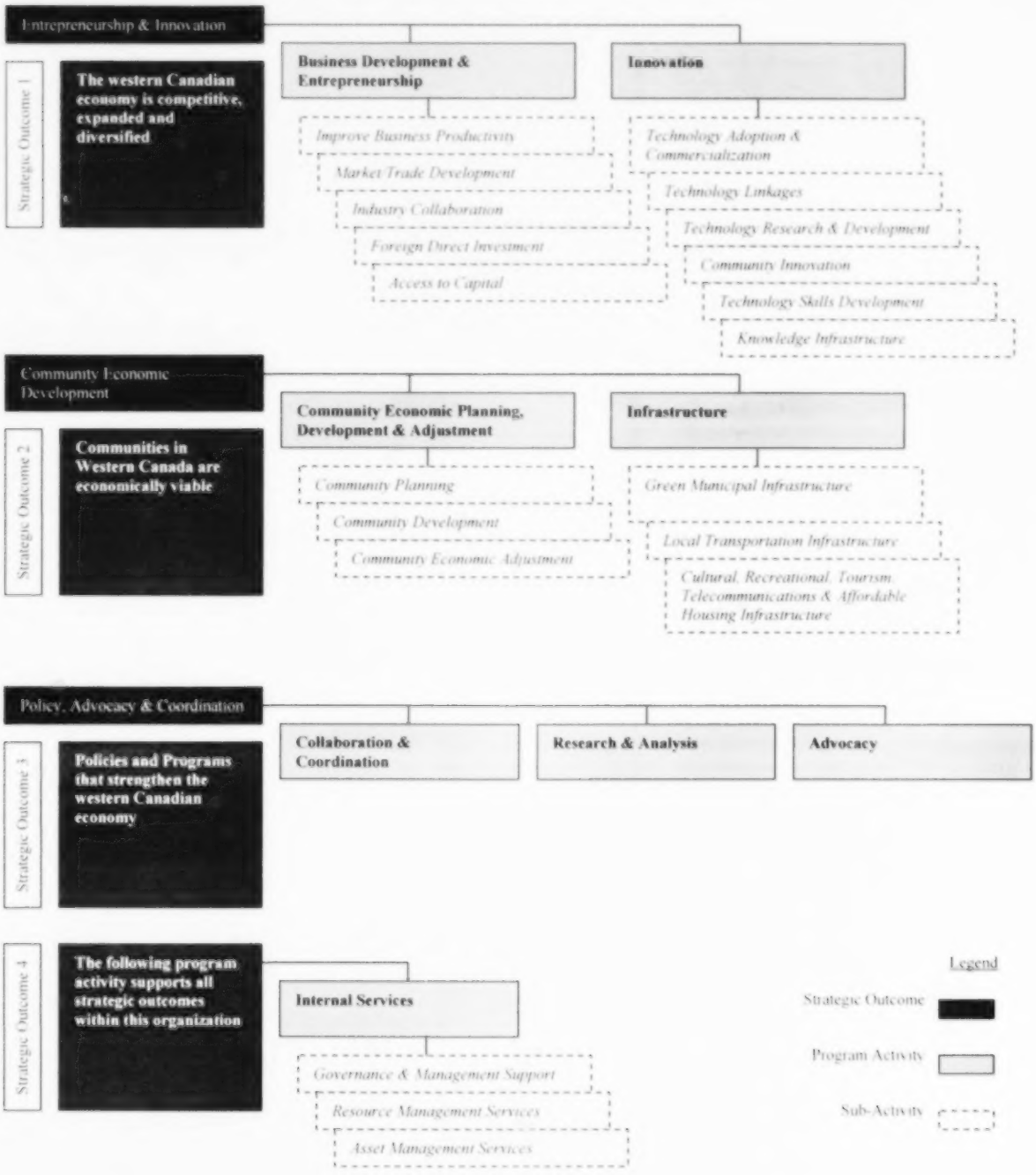
In addition, the Department has chosen to focus attention on the following management priorities which commit WD to strive towards a level of excellence in the management of its allocated resources in pursuing its Strategic Outcomes:

- Public Service Renewal,
- Performance Measurement, and
- Integrated Risk Management.

Through these investments, along with WD's leadership in advocating for and responding to western challenges, WD is building a stronger West in a stronger Canada.

Program Activity Architecture

The chart below illustrates WD's complete framework of program activities and program sub-activities, which roll-up and contribute to progress toward WD's Strategic Outcomes.



1.2 Planning Summary

Financial Resources

Financial Resources	2009–2010	2010–2011	2011–2012
($ thousands)	242,521	158,837	151,375

The financial resources table above provides a summary of the total planned spending for WD for the next three fiscal years.

Explanations for reductions in planned spending for this period are covered under each of the Strategic Outcomes.

Human Resources

Human Resources	2009–2010	2010–2011	2011–2012
Full-Time Equivalents (FTEs)	401	386	383

The human resources table above provides a summary of the total planned human resources for WD for the next three fiscal years. The decrease in FTE count in future years reflects the sunsetting of the incremental funding provided in Budget 2005, and the Municipal Rural Infrastructure Funding program.

Voted and Statutory Items displayed in the Main Estimates (000's)

Voted or Statutory Item	Truncated Vote or Statutory Wording	2008-2009 Main Estimates	**2009-2010 Main Estimates**
1	Operating expenditures	48,753	**41,725**
5	Grants and contributions	215,271	**195,245**
(S)	Contributions to employee benefit plans	5,322	**4,801**
	Total Department or Agency	**269,346**	**241,771**

Strategic Outcome (SO) 1: Entrepreneurship & Innovation	The western Canadian economy is competitive, expanded and diversified.
Performance Indicators	Targets
Real Gross Domestic Product (GDP) growth	3.2% (Stable growth rate)
Annual International Trade: value of exports excluding primary production sectors, $ million	$42.922 (Increase)
Research & Development (R&D) intensity: Gross Domestic Expenditures on R&D (GERD) as % of GDP	1.3% (Stable)

Program Activity	Expected Results	Forecast Spending ($ thousands)	Planned Spending ($ thousands)			Alignment to Gov't of Canada Outcomes
		2008-09	2009–2010	2010-11	2011–2012	
Business Development and Entrepreneurship	Strong SMEs in Western Canada with improved capacity to remain competitive in the global marketplace.	58,043	**48,849**	38,989	38,478	Strong Economic Growth
Innovation	A stronger knowledge-based economy.	87,506	**77,264**	55,036	49,070	An Innovative and Knowledge-based Economy
Total for SO 1		**145,549**	**126,113**	**94,025**	**87,548**	

Business Development and Entrepreneurship – The change in planned spending for Business Development and Entrepreneurship in 2009–2010 and future years is due to a reallocation of resources to the new Internal Services program activity and the sunsetting of the incremental funding provided in Budget 2005 and the Canada Business service centres[1], pending renewal of this program.

Innovation – The change in planned spending for Innovation in 2009–2010 and future years is primarily due to the completion of the construction of the International Vaccine Centre's (InterVac) Biosafety Level II Containment Facility in Saskatoon, the reallocation of resources to the new Internal Services program activity and the sunsetting of the incremental funding provided in Budget 2005.

Strategic Outcome 2: Community Economic Development	Communities in Western Canada are economically viable.
Performance Indicators	Targets
Disposable income per capita	$31,082 (Increase)
Labour productivity growth – real GDP per hour worked	1.2% (Stable growth rate)

[1] Budget 2009 provided $30 million over two years for the Canada Business Network renewal nationally, however, this is not yet reflected in WD's reference levels or planned spending.

Program Activity	Expected Results	Forecast Spending ($ thousands)	Planned Spending ($ thousands)			Alignment to Gov't of Canada Outcomes
		2008-09	2009–2010	2010-11	2011–2012	
Community Economic Planning Development and Adjustment	Communities have increased economic opportunities and capacity to respond to challenges.	109,506	**81,280**	37,389	36,946	Strong Economic Growth
Infrastructure	To maximize economic, social, cultural and environmental benefits to western Canadians through investments in public infrastructure in a coordinated manner with provincial and municipal governments.	2,265	**7,566**	1,040	574	Strong Economic Growth
Total for SO 2		**111,771**	**88,846**	**38,429**	**37,520**	

Community Economic Planning, Development and Adjustment – The change in planned spending for Community Economic Planning, Development and Adjustment in 2009–2010 and future years is primarily due to the completion of the Mountain Pine Beetle Initiatives (Community Economic Diversification Initiative and the Airport Improvements Initiative) as well as the Alberta and Saskatchewan Centenaries projects. It also reflects a reallocation of resources to the new Internal Services program activity and the sunsetting of the incremental funding provided in Budget 2005.

Infrastructure – The change in planned spending for Infrastructure in 2009–2010 and future years is due to the sunsetting of the Infrastructure Canada Program funding and the reduced operating resources related to the delivery of the Municipal Rural Infrastructure Fund.

WD continues to deliver programs such as the Municipal Rural Infrastructure Fund (MRIF) and projects under the Canada Strategic Infrastructure Fund (CSIF), on behalf of Infrastructure Canada, through an Other Government Department (OGD) suspense account. Under this delivery mechanism the Grants and Contributions resources associated with these programs are reflected in Infrastructure Canada's reference level. WD will deliver the Building Canada Fund – Community Component and non-transportation related Major Infrastructure Component projects over a seven-year period.

Strategic Outcome 3: Policy, Advocacy & Coordination	**Policies and programs that strengthen the western Canadian economy**
Performance Indicators	Targets
Percentage of key informants with the opinion that WD activities provide policies and programs that support the economic development of Western Canada.	55%
$'s of project funding ($'s WD project funding plus $'s leveraged)	$350,040,000
% of projects completed this fiscal year that successfully met or exceeded performance targets	85%

Program Activity	Expected Results	Forecast Spending ($ thousands)	Planned Spending ($ thousands)			Alignment to Gov't of Canada Outcomes
		2008-09	2009–2010	2010-11	2011–2012	
Collaboration and Coordination	Better-coordinated economic development activities, policies and programs in the West.	6,055	2,888	2,789	2,783	Strong Economic Growth
Research and Analysis	Improved understanding of western Canadian economic issues, challenges, opportunities and priorities.	4,254	2,666	2,610	2,606	Strong Economic Growth
Advocacy	Decisions by other organizations that improve economic policies and programs in the West.	2,818	3,246	3,211	3,213	Strong Economic Growth
Total for SO 3		13,127	8,800	8,610	8,602	

Collaboration and Coordination; Research and Analysis; and Advocacy - The changes in these three program activities are primarily the result of the reallocation of WD operating resources to the new Internal Services Program Activity.

Strategic Outcome 4:	**The following program activity supports all strategic outcomes within this organization**				
Program Activity	Forecast Spending ($ thousands)	Planned Spending ($ thousands)			Alignment to Gov't of Canada Outcomes
	2008-09	2009–2010	2010-11	2011–2012	
Internal Services	N/A	18,762	17,773	17,705	Strong Economic Growth & An Innovative and Knowledge-based Economy
Total for SO 4	N/A	18,762	17,773	17,705	

Contribution of Priorities to Strategic Outcomes

Operational Priorities	Type[2]	Links to Strategic Outcome (SO) & Program Activity (PA)	Description
Technology Commercialization	Ongoing	SO 1 PA - Innovation	**Why is this a priority?** • WD's investments in innovation and technology commercialization are the foundation for diversification to the knowledge-based economy and align with the federal Science and Technology Strategy. • Internationally, science, technology and innovation are recognized as key to competitiveness and prosperity. This priority is reflected in federal and provincial innovation and economic strategies, which promote Western Canada's knowledge advantage through a focus on research and development (R&D), highly skilled personnel and commercialization. Key sectors/clusters include information and communications technologies (ICT) and new media, health and related life sciences, environmental science and technologies, and natural resources and energy. • New knowledge and technologies developed at research universities often provide the platform for new companies and are a measure of economic outcomes. From 2003 to 2005, sponsored research at western universities increased by 67%, while total income from commercialization of Intellectual Property increased by 2%, which indicates that economic outcomes from research are not increasing proportionally to the level of research. • In order to commercialize technologies, firms require financing, often in the form of early stage venture capital to support company formation and growth. The long-term trends for venture capital are downward in the West. During the nine-month period ending September 30, 2008, venture capital investments decreased by 50% over the same period in 2007. **Plans for meeting the priority** • In order to facilitate the translation of knowledge and technology into commercial opportunities, WD will make strategic investments in technology commercialization and adoption projects leading to an increase in the number of technologies developed in research institutions that have commercialization potential, and an increase in technologies adopted by existing firms. • WD will undertake further sector research and analysis to pinpoint gaps and opportunities and new programming and delivery options will be explored.

[2] Type is defined as follows: previously committed to – committed to in the first or second fiscal year prior to the subject year of the report; ongoing – committed to at least three fiscal years prior to the subject year of the report; and new – newly committed to in the reporting year of the RPP.

Trade and Investment	Ongoing	SO 1 PA – Business Development and Entrepreneurship	**Why is this a priority?** • Western Canada is highly dependent on foreign trade with exports accounting for roughly 34% of Western Canada's Gross Domestic Product (GDP). A key challenge facing Western Canada is to build on the existing strengths of a primarily resource-based economy while adapting to the intensifying pressures to remain internationally competitive particularly in emerging sectors. Western Canada's future prosperity is heavily dependent on its ability to open international markets and attract foreign direct investment (FDI). • Strengthening relations with the United States, accessing world markets via free trade agreements, enhancing business opportunities through gateways and corridors, and raising the thresholds for foreign investment, are priorities of the Government of Canada as reflected in components of the Global Commerce Strategy. **Plans for meeting the priority** WD will focus its efforts on enhancing SME participation in international business development; enhancing value-added opportunities connected to Western Canada's gateways and corridors, and enhancing investment attraction by: • Supporting international business development projects targeting the US and Mexico through the North American Platform Program (NAPP) partnership. • Ensuring that export readiness/advisory information services continue to be provided to SMEs. • Facilitating access to Government of Canada Major Crown Projects as well as international procurement opportunities by western Canadian businesses. • Working with partners to pursue value-added economic opportunities associated with the Asia-Pacific Gateway & Corridor and/or the Mid-Continent Trade Corridor. • Supporting western Canadian businesses in their trade development and investment attraction efforts around the Vancouver/Whistler 2010 Winter Olympic and Paralympic Games.
Business Productivity and Competitiveness	Previously committed to	SO 1 PA – Business Development and Entrepreneurship	**Why is this a priority?** • Canada's productivity growth continues to lag behind that of the US – in 2007 the average revenue per employee in Canada was $15,970 less than that of the average US employee. This creates a competitive disadvantage for many Canadian firms. • Productivity growth is considered to be a key component of long-term economic growth and increasing the long-term material standard of living of Canadians. • The priority aligns with Government of Canada priorities outlined in Advantage Canada, the Science & Technology Strategy, and the Global Commerce Strategy. **Plans for meeting the priority** To support the growth and competitiveness of western Canadian small business, WD will focus on:

			• continuing to facilitate/enable access to risk capital and business services to SMEs through programs and services offered in conjunction with other business services organizations and associations; and • working with western Canadian business, industry and research organizations to undertake systemic initiatives to enhance business productivity and competitiveness. Activities supported by WD in this area may include promoting awareness and adoption of new management and business practices (i.e. lean manufacturing), access to supply chains, creation of business networks and access to skilled labour.
Rural Diversification	Previously committed to	SO 1 SO 2 SO 3	**Why is this a priority?** • The economies of Western Canada's rural communities continue to be highly dependent on traditional resource industries such as forestry, agriculture, mining and energy-related extraction. Population out-migration is a long-term trend and many communities remain economically isolated. • Diversifying, growing, and retaining rural enterprises connected to strong rural communities is important to the western Canadian economy. **Plans for meeting the priority** To support rural diversification, WD will focus on: • Working with Community Futures and other rural-based economic development organizations to focus their efforts to diversify rural communities; and • Collaborating with other federal departments and agencies with a primary mandate for rural diversification.

WD places a priority on Management Excellence and continues to make progress in improving management practices as encouraged through the annual Management Accountability Framework assessment.

Management Priorities – Management Excellence	**Type**	**Links to Strategic Outcome**	**Description**
Public Service Renewal	Previously committed to	SO 1 SO 2 SO 3	**Why is this a priority?** • To ensure the Department continues to have the people, knowledge and skills to effectively deliver on its mandate and contribute to Government of Canada priorities. • Public Service Renewal has been a priority of the Government of Canada for the past two years as outlined in the Public Service Renewal Action Plan. **Plans for meeting the priority** WD will sustain the necessary complement of qualified, motivated and knowledgeable staff by focusing on the following: • Integrated business and human resource planning, • Employee engagement, career development, talent management, and succession planning, • Strategic recruitment and renewal initiatives, and

			• Enabling infrastructure such as performance management.
Performance Measurement	Previously committed to	SO 1 SO 2 SO 3	**Why is this a priority?** • To ensure value for money and to enable understanding and communication of program impacts, WD is committed to effective performance measurement. • 2008-2009 was the first year of target setting for the Program Activity Architecture. • To ensure a high quality Performance Measurement Framework that meets the requirements of the Management, Resources, and Results Structure (MRRS) Policy as it continues to be implemented. **Plans for meeting the priority** To support improved performance measurement, WD will focus on addressing challenges through: • Review performance measures to ensure relevance and appropriate measuring, • Further development of WD's project database system, Project Gateway, to more effectively track data related to performance measurement, and • The introduction of a performance reporting process, which will track progress against established performance targets and support organizational decision-making.
Integrated Risk Management	Previously committed to	SO 1 SO 2 SO 3	**Why is this a priority?** • Reviewing, updating and more fully integrating risk-based decision making into all elements of management continues to be of importance to the Department to ensure sound and well informed decisions. • New expectations for integrated risk management have been articulated in updated Treasury Board policies such as the Transfer Payment Policy and the Policy on Internal Control. **Plans for meeting the priority** The Department will make progress against this priority by: • Reviewing, updating and more fully integrating risk-based decision making into all elements of WD management practices. • Creating risk management tools and training employees on risk management practices.

Risk Analysis

It is anticipated that during 2009–2010 WD will face some significant challenges in achieving its strategic outcomes and priorities stemming from largely negative and unstable economic conditions forecasted for Western Canada and throughout the global economy. WD's mandate is to support economic development and diversification in the West. Implementing this mandate takes on a greater prominence and complexity during a period of major economic downturn when the region is facing low commodity prices and low or even negative economic growth in many sectors and areas of its economy.

As a commodity driven and trade oriented economy, much of Western Canada's economic performance depends heavily on the resource sector and is vulnerable to world market conditions and the volatility of commodity prices. Economic growth in Western Canada has slowed significantly in 2008 and the outlook for 2009–2010 is deteriorating. Private sector forecasts, which are the basis for developing WD's target for real GDP growth for the region to guide its own strategies and priorities, have been downgraded considerably over the last few months.

While cognizant of these challenges WD, as the federal government's regional development agency in Western Canada, is well positioned to advance the federal government's agenda in stimulating the economy in the region while supporting projects and programs that position western Canadian industries, individual firms, and R&D organizations to compete effectively in the global economy over the long term. The priorities and plans outlined in our Report on Plans and Priorities are designed to respond to current economic conditions in the West, while ensuring the Department remains flexible and responsive enough to address new challenges and opportunities that might emerge in the highly uncertain global marketplace.

In terms of general economic risk, as was recently highlighted in the June 2008 report of the Competition Policy Review Panel "Compete to Win", a significant challenge to the West's long term economic health and global competitiveness is the low rate of productivity in comparison to many of our most important global competitors - particularly the US which is by far our largest trade partner. Some key factors hindering productivity growth in Western Canada's business sector include low investment in new machinery and equipment, slow adoption of new process and technology, lack of "capacity" to improve efficiency, lagging workplace training, and lack of human and financial capital. Productivity is also impacted by the shortage of skilled labour in Western Canada, as less skilled workers tend to be less productive. The trend of skilled labour shortage will likely persist as the West's demographic structure shifts and more baby boomers move toward retirement.

To improve its competitive position in a global environment, Western Canada is challenged to create a more innovative, productive and diversified economy with a strengthened science and technology capability. Public investment in the economy of the West must place a priority on ensuring that research institutions and industries in the region support innovation, value-added production and the commercialization of new products, technologies and services into Canadian and international markets. This must be accomplished in a way that leverages new private sector investment that will build on the existing strengths of the industrial structure of each province, and also supports the development of new, knowledge-based industries and economic output driven by research and the commercial application of new discoveries and innovations. To stimulate new value added economic activity, business formation and skilled job creation, it is important to ensure that the environment and infrastructure for doing business in the West provides a strong foundation for improved productivity and competitiveness. Equally important are policies and programs that facilitate access to early stage capital,

which is often an impediment to growth, especially for start-ups and small- and medium-sized enterprises (SMEs).

As much of the economy relies on trade, particularly with the US, Western Canada is sensitive to US' economic recession, world economic slowdown and the fluctuation of the currency. In addition, many parts of Western Canada continue to be challenged with environmental and sustainability issues from resource extraction.

To counter the economic and business risks faced by many firms and industries due to uncertain continental and global market conditions, a greater emphasis must be placed on supporting western Canadian firms to access federal procurement opportunities at home and abroad, while capitalizing on our strategic positioning in the Asia-Pacific region and along the North, Central and South American corridors. The growing capacity of western Canadian research institutions and industries in key emerging sectors like aerospace, life sciences and biotechnology, environmental and new energy technologies, and nanotechnology has created opportunities to develop and secure new markets that represent long term growth for the West.

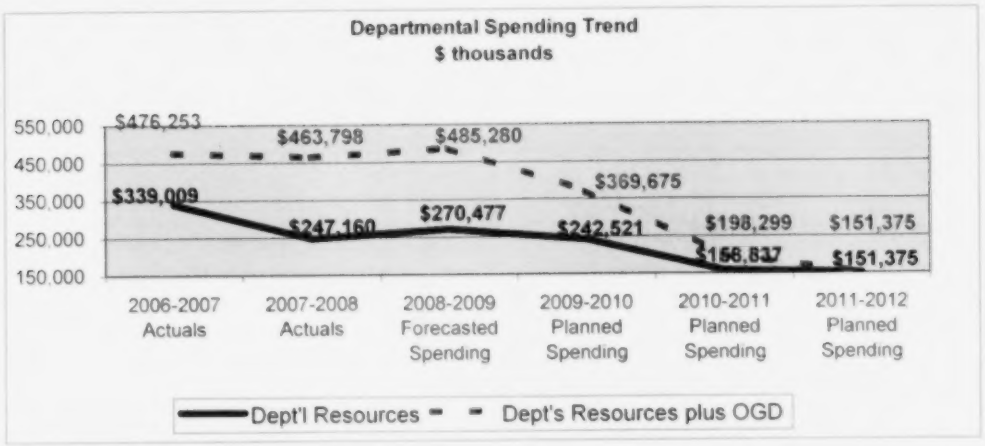
WD's plans and priorities for 2009–2010 reflect a strong alignment with the needs of the western Canadian economy over the next year, and support key Government of Canada economic priorities and strategies. As the global economy adjusts to recent economic and financial shocks, the Department will maintain a flexible policy framework to ensure it remains relevant to its clients and maintains strong partnerships. This framework will allow WD to provide coordination and make strategic financial investments in support of the Department's mandate and to ensure the continued development and diversification of the western economy to support overall Government of Canada priorities and plans.

When implementing its plans for 2009–2010 WD must also address some internal risks related to recruiting and retaining a skilled labour force in what is expected to be a continued highly competitive labour market, maintaining operational continuity, and demonstrating results for Canadians during a period of economic volatility and uncertainty. To respond to these challenges, WD will continue to place a priority on management excellence. This includes a focus on meeting Public Service Renewal objectives, including more fully integrating human resources planning with business planning to ensure we have the right people with the right skills in the right jobs, increasing our organizational capacity to measure and report on our impacts and results for Canadians, and refining our approach to risk management to ensure a sound understanding of operational and management risks faced by the Department and the implementation of policies and practices to ensure public funds are well managed and accounted for.

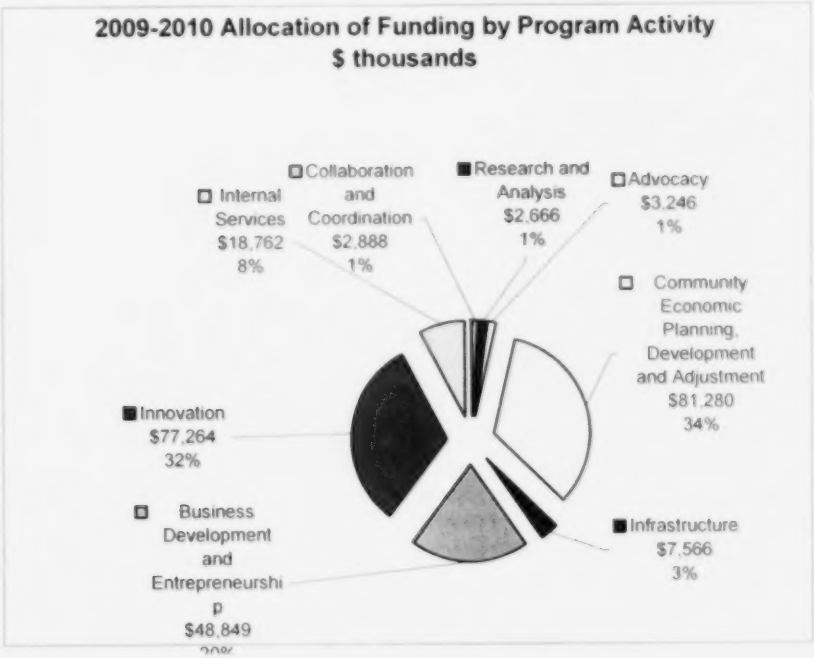
Expenditure Profile

For the 2009–2010 fiscal year, WD plans to spend $242.5 million to meet the expected results of its program activities and contribute to its strategic outcomes.

The figure below illustrates WD's spending trend from 2006-07 to 2011–2012.



Although the Department's resources as reflected in the chart have been reduced significantly due to the sunsetting of the Infrastructure Canada Program, WD continues to deliver programs such as the Municipal Rural Infrastructure Fund (MRIF) and projects under the Canada Strategic Infrastructure Fund (CSIF), on behalf of Infrastructure Canada, through an Other Government Department (OGD) suspense account. Under this delivery mechanism, the Grants & Contribution resources associated with these programs are reflected in Infrastructure Canada's reference levels. WD is the delivery agent for the Community Component of the Building Canada Fund, totalling contributions of $334.5 million over a seven-year period, although only the operating funding to deliver the program will be reflected in WD's reference levels.


2009-2010 Allocation of Funding by Program Activity
$ thousands
Internal Services $18,762 8%
Collaboration and Coordination $2,888 1%
Research and Analysis $2,666 1%
Advocacy $3,246 1%
Community Economic Planning, Development and Adjustment $81,280 34%
Innovation $77,264 32%
Business Development and Entrepreneurship $48,849
Infrastructure $7,566 3%

Section II – Analysis of Program Activities by Strategic Outcome

2.1 Strategic Outcome

The western Canadian economy is competitive, expanded and diversified – Entrepreneurship & Innovation

The following section describes Western Economic Diversification Canada program activities and identifies the expected result, performance indicators and targets for each of them. WD plans for meeting the expected results and financial and non-financial resources that will be dedicated to each program activity are also included.

This section will contain a discussion of plans surrounding the following program activities:

- Business Development and Entrepreneurship
- Innovation

2.1.1 Program Activity: Business Development and Entrepreneurship

Expected Results of Program Activity: Strong SMEs in Western Canada with improved capacity to remain competitive in the global marketplace.	
Performance Indicators:	***Targets:***
SME revenue (All SME sizes) (Excluding Non-employees), ($ millions)	$428,596 (Stable growth rate)
SME employment, (All SME sizes) (Excluding Non-employees)	2,508,300 (Stable)
Annual capital amount accessed by SMEs through WD programs	$78,825,105

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
48,849	38,989	38,478

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
67	65	65

Program Activity Summary: WD works with western Canadian businesses, industry and research organizations to undertake initiatives to enhance business productivity and competitiveness, support trade and investment attraction and penetration of western Canadian technologies, services and value-added products into international markets.

Through this program activity, value-added production will be strengthened through support for initiatives in priority sectors to introduce new products, technologies, or innovations to existing production and processes. This program activity will also improve access to risk capital and business services for entrepreneurs and small business through programs and services offered in conjunction with other business services organizations and associations.

WD will implement this program activity through the following sub-activities:

- Improved business productivity;
- Market/trade development;
- Industry collaboration;
- Foreign direct investment; and
- Access to capital.

2009–2010 Operational Priorities

- **Trade and Investment**
- **Business Productivity and Competitiveness**
- **Rural Diversification**

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following activities:

- To encourage and enable industry led solutions to productivity challenges, WD will focus on sectors/clusters that are 'ready' to implement productivity enhancements;
- Ensure that export readiness/advisory information services continue to be provided to SMEs; support international business development projects targeting the US and Mexico, the Asia-Pacific and Latin America regions; and undertake targeted research and analysis to better understand trade and investment policy issues impacting Western Canada; and,
- Continue to increase the availability of risk capital and work with the members of the WCBSN to address the needs of SMEs.

Benefits for Canadians:

Productivity growth is considered to be a key component of long-term economic growth and increasing the long-term material standard of living of Canadians.

WD's investments will result in increased export opportunities for SMEs and enhance their capacity to remain competitive in the global marketplace. Improving business productivity and expanding markets will lead to new jobs in the West.

2.1.2 Program Activity: Innovation

Expected Results of Program Activity: A stronger knowledge-based economy.	
Performance Indicators:	***Targets:***
Total Income from the Commercialization of Intellectual Property ($ millions)	$40.40
Business Expenditure on R&D as % of GDP	.60%
Employment in Natural and Applied Science and Related Occupations as a % of Total Employment.	6.60%

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
77,264	55,036	49,070

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
56	54	54

Program Activity Summary: Innovation facilitates the West's transition to a knowledge-based economy. Through innovation, knowledge is translated into new products and services and to new ways of designing, producing or marketing existing products or services for public and private markets. This program activity recognizes that innovation occurs at the firm level, through a highly complex interdependent system that includes elements such as knowledge infrastructure, basic and applied research and development, highly qualified people (HQP), access to adequate patient financing, technology commercialization facilities and support systems and mechanisms to link these elements to each other. The process of innovation is not linear or isolated but occurs within a broader context known as an "innovation system". This program activity will strengthen the western innovation system in order to facilitate the development of clusters and to enhance the potential of innovation to create value and wealth.

WD will implement this program activity through the following sub-activities:

- Technology adoption & commercialization;
- Technology linkages;
- Technology research & development;
- Community innovation;
- Technology skills development; and
- Knowledge infrastructure.

2009–2010 Operational Priorities
- Technology Commercialization
- Trade and Investment

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following activities:

- WD recognizes that to enhance technology commercialization, efforts need to be made to engage the organizations that introduce new products to markets. Research on priority technology sectors indicates that there are niche opportunities to increase commercialization. To pursue this priority, WD will undertake further sector research and analysis to pinpoint gaps and opportunities and will explore new approaches such as pilot demonstrations, first user or internship programs to engage new and existing clients; and,

- In building the knowledge-based economy, WD will support projects which build foundational elements such as knowledge infrastructure, which contributes to physical assets for research and skill building; research and development, which leads to technologies with commercial potential; skills development, which leads to highly qualified personnel; and effective linkages, which contributes to increased connections and synergies among innovation system members.

Benefits for Canadians:

WD's investments in innovation projects will contribute to a diversified western economy and a knowledge-based economy. This will result in new products, greater access to capital in new economy sectors, and increased employment opportunities.

2.2 Strategic Outcome

Communities in Western Canada are economically viable – Community Economic Development

The following section describes Western Economic Diversification Canada program activities and identifies the expected result, performance indicators and targets for each of them. WD plans for meeting the expected results and financial and non-financial resources that will be dedicated to each program activity are also described.

Details on the following program activities are provided:

- Community Economic Planning, Development & Adjustment
- Infrastructure

2.2.1 Program Activity: Community Economic Planning, Development, & Adjustment

Expected Results of Program Activity: Communities have increased economic opportunities and capacity to respond to challenges.	
Performance Indicators:	***Targets:***
Employment: # of new jobs created (000's)	84 (Grow at a slower rate)
Net migration rate - international and domestic	81,879 (Grow at a slower rate)

Financial Resources ($ thousands)		
2009-10	2010-11	2011–2012
81,280	37,389	36,946

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
68	66	66

Program Activity Summary: This program activity involves economic development and diversification initiatives that support communities to sustain their economies and adjust to changing and challenging economic circumstances. It includes facilitating economic recovery from depressed economic circumstances. It ensures that economic, social and environmental considerations are taken into account in initiatives designed to foster community growth and economic development. It involves projects that assist communities to assess community strengths, weaknesses, opportunities, and potential for new economic activity and to develop and implement community plans. The process involves community-based consultations/facilitation and strives to integrate federal programs, services and horizontal initiatives directed towards western Canadian communities.

WD will implement this program activity by supporting initiatives in:

- Community planning;
- Community development; and
- Community economic adjustment.

2009–2010 Operational Priorities

- Rural Diversification
- Business Productivity & Competitiveness

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following activities:

- Delivery of the western component of the two-year, $1-billion Community Adjustment Fund announced in Budget 2009. This national initiative will support initiatives activities such as community transition plans that foster economic development, science and technology initiatives, and other measures to promote economic diversification;

- Promote rural diversification through support of projects that help communities to undertake value-added processing and encourage new opportunities for skilled employment;
- Support projects that enhance Aboriginal participation in the economy; and,
- On behalf of the federal government, deliver, monitor and evaluate the Community Economic Diversification Initiative and Airport Improvements Initiative components of the federal Mountain Pine Beetle response in BC.

Benefits for Canadians:

This program activity contributes to the development of strong and economically vibrant communities that in turn, contribute to strong, economic growth for Canada. Through WD's investments, communities have increased economic opportunity and capacity to respond to challenges. WD works with community leaders and other orders of government to integrate federal programming and horizontal initiatives to maximize leverage.

2.2.2 Program Activity: Infrastructure

Expected Results of Program Activity: To maximize economic, social, cultural and environmental benefits to western Canadians through investments in public infrastructure in a coordinated manner with provincial and municipal governments.	
Performance Indicators:	***Targets:***
Percentage of key Informants with the opinion that WD delivery of Infrastructure programs resulted in investments that reflect western Canadian infrastructure priorities	50%
$ value of federal infrastructure projects funded per fiscal year	$5,900,000
$'s leveraged in addition to federal $'s for projects funded per fiscal year	$11,800,000

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
7,566	1,040	574

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
13	10	7

Program Activity Summary: WD provides public infrastructure funding in Western Canada to meet the Government of Canada's commitment to growth and the quality of life of all Canadians. This program activity will renew and build infrastructure in rural and urban municipalities across Canada allowing them to compete in the regional, national and global economy. WD delivers infrastructure programming in partnership with Infrastructure Canada and the four western provincial governments.

WD will implement this program through in the following sub-activities:

- Green municipal infrastructure;
- Local transportation infrastructure; and
- Cultural, recreational, tourism, telecommunications, and affordable housing infrastructure.

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following activities:

- Delivery of the western component of the Recreational Infrastructure Canada initiative announced in Budget 2009. This national initiative will provide $500 million over two years to support construction of new community recreational facilities and upgrades to existing facilities;
- Continued administration of the Infrastructure Canada Program until the program's sunset by March 31, 2011;
- Continued delivery of Municipal Rural Infrastructure Fund;
- Administration of Canada Strategic Infrastructure Fund projects;
- Delivery of the Building Canada Fund Communities Component and non-transportation related Major Infrastructure Component projects; and,
- Continued collaboration with Infrastructure Canada and the other Regional Development Agencies to improve the delivery of national infrastructure programs.

Benefits for Canadians:
Investment into Canada's infrastructure system will result in a stronger economy, a cleaner environment, and better communities, while addressing local and regional infrastructure needs.

2.3 Strategic Outcome

Policies and Programs that strengthen the western Canadian economy – Policy, Advocacy & Coordination

The following section describes Western Economic Diversification Canada program activities and identifies the expected result, performance indicators and targets for each of them. WD plans for meeting the expected results and financial and non-financial resources that will be dedicated to each program activity are also described.

Details on the following program activities are provided:

- Collaboration & Coordination
- Advocacy
- Research & Analysis

2009–2010 Operational Priorities

- Technology Commercialization
- Trade and Investment
- Business Productivity and Competitiveness

2.3.1 Program Activity: Collaboration and Coordination

Expected Results of Program Activity: Better coordinated economic development activities, policies and programs in the West.	
Performance Indicators:	***Targets:***
Percentage of key informants with the opinion that WD activities provide better coordinated economic activities, policies and programs in the West	55%
$'s of project funding ($'s WD project funding plus $'s leveraged)	$350,040,000
% of projects completed this fiscal year that successfully met or exceeded performance targets	85%

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
2,888	2,789	2,783

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
21	20	20

Program Activity Summary: Collaboration and coordination involves bringing people, ideas, communities and resources together. This is accomplished through engaging other levels of government, other federal departments, industry (in particular, industry associations), academia, or the not-for-profit sector in order to plan or precipitate actions that result in a greater degree of development and/or diversification of the western economy. This can involve the process of developing policies and programs with other governments or partners to leverage resources and address economic challenges or taking advantage of economic opportunities in a coordinated fashion.

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following:

- Work in partnership with the four western provinces to implement the Western Economic Partnership Agreements and other joint federal-provincial arrangements;
- Further the efforts of the working group of Western Deputy Minister's with responsibility for economic development and innovation; and,
- Participate in western-based consultation forums such as the Federal Councils located in each western province, regional trade teams, and Senior Western Innovation Officials.

Benefits for Canadians:
Through this program activity, WD engages with other people and organizations to bring communities, ideas and resources together. WD links the views of western Canadians with national policies, priorities and programs to ensure effective and efficient approaches are taken to strengthen the western Canadian economy. The Department's

leadership and coordinating role helps to identify economic challenges and opportunities for the West. These activities also support the development of an appropriate federal response either through the investment of departmental resources or by collaborating with other appropriate federal departments and agencies.

2.3.2 Program Activity: Advocacy

Expected Results of Program Activity: Decisions by other organizations that improve economic policies and programs in the West.	
Performance Indicators:	***Targets:***
Percentage of key informants with the opinion that WD activities provide an improved understanding and awareness of western issues, challenges, opportunities and priorities	55%
Percentage of key informants with the opinion that WD advocacy work results in federal policies and programs that reflect western Canadian needs	60%
Percentage of key informants with the opinion that WD advocacy work results in improved awareness of industrial and regional benefits and/ or federal procurement opportunities	50%

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
3,246	3,211	3,213

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
31	30	30

Program Activity Summary: This program activity aims to advance Western Canada's interests in national policies, priorities and programs. Advocacy facilitates an improved understanding and awareness by policy makers of regional issues and opportunities and leads to action by the federal government, partners or stakeholders to help achieve a more balanced, regionally sensitive approach to western Canadian priorities, or that result in a greater share of federal programming or procurement in Western Canada. The activity can also involve advocating on behalf of federal government priorities within Western Canada. Specific examples of this activity include providing input into Cabinet submissions, establishing and participating in western-based consultation forums, advocating in support of specific regional projects or issues, and engaging western Canadian stakeholders in the development and implementation of national priorities.

Planning Highlights: In order to achieve the expected result, WD plans to work collaboratively with other federal departments and agencies, provincial governments and industry stakeholders (as appropriate) to:

- Advance the business case for developing transportation, distribution and logistics centres in the West;
- Encourage an increase in Western Canada's value-added content in global supply chains through the federal Asia-Pacific Gateway and Corridors Initiative and the Mid-Continent Trade Corridor;

- Promote the West's aerospace, defence, security, shipbuilding and high-technology industries to key federal stakeholders and international prime contractors looking to identify suppliers for the federal government's defence procurement; and,
- Champion Western Canada's contributions to the federal science and technology (S&T) strategy, including the potential of western Canadian innovation to bolster national competitiveness and productivity.

Benefits for Canadians:
Through this program activity, WD ensures that key federal policy makers are aware of western issues and that western Canadians are able to access and participate in federal programs. As a result, the West is more likely to benefit from federal and joint federal-provincial policies and programs that are relevant to the region's economic opportunites and challenges. Similarly, western Canadians are more likely to participate in federal and joint federal-provincial economic programs, resulting in a stronger regional economy and economic benefits for all of Canada .

2.3.3 Program Activity: Research & Analysis

Expected Results of Program Activity: Improved understanding of western Canadian economic issues, challenges, opportunities and priorities.	
Performance Indicators:	***Targets:***
Percentage of key informants with the opinion that WD research and analysis contributes to an improved understanding of western Canadian issues, challenges, opportunities and priorities	55%
# of spokesperson and media references to WD economic research and analysis	20

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
2,666	2,610	2,606

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
10	10	10

Program Activity Summary: Research and Analysis involves preparing and disseminating information that results in an increased understanding of western Canadian challenges, opportunities and priorities and which provides the factual intelligence necessary to undertake internal or external policy and program development. This can include externally generated research; or in-house research and analysis involving economic overviews, environmental scans, analysis of federal or other government documents and sectoral or issue analysis that support departmental policy, planning or program development. This program activity includes external consultation on key economic issues or opportunities facing Western Canada with leaders from both the private and public sectors.

Planning Highlights: In order to achieve the expected result, WD plans to undertake the following activities:

- Enhance engagement with universities to support student led research in areas of shared priorities;
- Support research to develop policy options for Western Canada that helps position it for long-term success in the global economy;
- Develop strategies, policies and programs for long term growth and competitiveness; and,
- Deepen understanding of Canadian stakeholders of economic opportunities associated with the Asia-Pacific Gateway & Corridor and/or the Mid-Continent Trade Corridor.

Benefits for Canadians:

This program activity ensures that the Department has the information and understanding needed to provide a balanced, regionally sensitive approach that addresses western Canadian priorities, maximizes the Department's effectiveness, and supports the development and implementation of WD strategic directions and priorities. In this way WD will strengthen the western Canadian economy and the competitiveness of Canada as a whole.

2.4 Strategic Outcome

The following program activity supports all strategic outcomes within this organization.

2.4.1 Program Activity: Internal Services

Financial Resources ($ thousands)		
2009–2010	2010-11	2011–2012
18,762	17,773	17,705

Human Resources (Full-time Equivalents)		
2009–2010	2010-11	2011–2012
135	131	131

Program Activity Summary & Planning Highlights:

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Section III: Supplementary Information

3.1 List of Tables

The following tables are located on the Treasury Board Secretariat website:

- Details on Transfer Payment Programs (TPPs)
- Up-Front Multi-Year Funding
- Green Procurement
- Sustainable Development Strategy
- Horizontal Initiatives
- Internal Audits
- Evaluations
- Sources of Respendable and Non-Respendable Revenue

3.2 Other Items of Interest

3.2.1Corporate Business and Human Resources Plan

WD's Corporate Business and Human Resources Plan for the three year planning period beginning 2008-2009 is available on WD's website. This Corporate Business Plan provides an integrated and comprehensive overview of the Department's Strategic Outcomes and priorities, which guide WD's activities and frame planning and reporting.

3.2.2 Section 41, *Official Languages Act*

WD recognizes the value and contribution of Official Language Minority Communities (OLMCs) in the economy of Western Canada, and within the context of WD's mandate, support for their economic development and diversification, as with all western Canadian communities, is a priority.

WD's *Official Languages Act* (OLA) related activities are in alignment with departmental priorities and strategic outcomes, as well as the government's 2008-2013 federal strategy for official languages - *A Roadmap for Canada's Linguistic Duality*. WD received $3.2 million under 'The Roadmap' for economic development for OLMCs. WD collaborates with other federal institutions (such as Canadian Heritage, Industry Canada, the other regional development agencies), and the Francophone Economic Development Organizations (FEDOs) to maximize the economic benefits for western OLMCs.

3.2.3 WD's Strategic Planning Framework for 2009–2010

The Framework on the following page depicts the logical relationship among WD's strategic outcomes and its program activities. It also demonstrates how WD's 2009–2010 priorities contribute to achieving the Department's strategic outcomes, and how WD contributes to Government of Canada outcomes.

Western Economic Diversification Canada
Strategic Planning Framework
2009–2010

Government of Canada Outcome Areas

Strong Economic Growth

An Innovative and Knowledge-Based Economy

How WD contributes to a stronger Canada

WD Mandate

To promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy, program and project development and implementation.

WD Vision

To be leaders in creating a more diversified western Canadian economy that has strong, competitive and innovative businesses and communities.

Our 2009–2010 Priorities

Technology Commercialization	Trade & Investment	Business Productivity & Competitiveness	Rural Diversification	Management Excellence

These Priorities will be WD's focus in 2009–2010 to achieve the following Strategic Outcomes

Our Strategic Outcomes

Policy, Advocacy & Coordination:

Policies and programs that strengthen the western Canadian economy

Community Economic Development:

Communities in Western Canada are economically viable

Entrepreneurship & Innovation:

The western Canadian economy is competitive, expanded and diversified

Our Program Activities

- Collaboration & Coordination
- Advocacy
- Research & Analysis

- Community Economic Planning, Development & Adjustment
- Infrastructure

- Business Development & Entrepreneurship
- Innovation

A stronger West. A stronger Canada